

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Gregory Funding LLC
License No. FL-0018712

Enforcement Case No. 21-16604

Respondent:

Issued and entered
on February 23, 2022
by Judith A. Weaver
Senior Deputy Director

ORDER ACCEPTING STIPULATION AND REQUIRING COMPLIANCE AND PAYMENT OF FINES

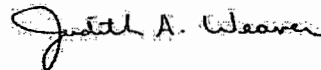
Based upon the Stipulation to Entry of Order and the files and records of the Department of Insurance and Financial Services (DIFS), the Senior Deputy Director finds and concludes that:

1. The Senior Deputy Director has jurisdiction and authority to adopt and issue this Order Accepting Stipulation and Requiring Compliance and Payment of Fines in this proceeding pursuant to the Michigan Administrative Procedures Act (APA), as amended, MCL 24.201 *et seq.*, and the Mortgage Brokers, Lenders, and Servicers Licensing Act (MBLSLA), 1987 PA 173, MCL 445.1651 *et seq.*
2. All required notices have been issued in this case and the notices and service thereof were appropriate and lawful in all respects.
3. Acceptance of the Stipulation to Entry of Order is reasonable and in the public interest.
4. All applicable provisions of the APA have been either satisfied or waived by all Parties.
5. DIFS' Report of Examination found that Respondent violated Section 22(a) of the MBLSLA, MCL 445.1672(a), by violating Sections 1024.17(c)(3), 1024.17(c)(7), 1024.17(f)(2)(i), 1024.39(a), and 1024.39(b) of Regulation X, 12 C.F.R. 1024.17(c)(3), 12 C.F.R. 1024.17(c)(7), 12 C.F.R. 1024.17(f)(2)(i), 12 C.F.R. 1024.39(a), and 12 C.F.R. 1024.39(b).

Now therefore, based upon the Stipulation to Entry of Order and the facts surrounding this case, **IT IS ORDERED THAT:**

- A. Respondent shall comply with all terms agreed to in the Stipulation to Entry of Order.
- B. Respondent shall pay to the State of Michigan, through DIFS, a civil fine of \$15,000.00. The fine shall be paid on the date set forth in DIFS' invoice issued upon execution of this order.

- C. The Senior Deputy Director retains jurisdiction over the matters contained herein and has the authority to issue such further order(s) as shall be deemed just, necessary, and appropriate in accordance with the MBLSLA. Failure to abide by the terms and provisions of the Stipulation to Entry of Order and this Order Accepting Stipulation and Requiring Compliance and Payment of Fines may result in the commencement of additional proceedings, and/or additional penalties as provided by law and/or in the Stipulation to Entry of Order.



Judith A. Weaver
Senior Deputy Director

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Before the Director of the Department of Insurance and Financial Services

In the matter of:

Gregory Funding LLC
License No. FL-0018712

Enforcement Case No. 21-16604

Respondent.

STIPULATION TO ENTRY OF ORDER

Gregory Funding LLC, License No. FL-0018712, (Respondent) stipulates to the following:

1. At all relevant times, Respondent was licensed as a mortgage broker, lender, and servicer under the Mortgage Brokers, Lenders, and Servicers Licensing Act (MBLSLA), 1987 PA 173, MCL 445.1651 *et seq.*
2. Between June 21, 2021, and July 12, 2021, the Department of Insurance and Financial Services (DIFS) conducted an examination of Respondent, pursuant to its statutory authority and responsibility primarily set forth in Section 11(2)(c) of the MBLSLA, MCL 445.1661(2)(c). Several violations cited in the 2021 Examination Report resulting from this examination were also cited in earlier examination reports issued in 2015 and 2019 – including the alleged violations of Sections 1024.17(c)(3), 1024.17(c)(7), 1024.17(f)(2)(i), 1024.39(a), and 1024.39(b) of Regulation X, i.e., 12 C.F.R. 1024.17(c)(3), 12 C.F.R. 1024.17(c)(7), 12 C.F.R. 1024.17(f)(2)(i), 12 C.F.R. 1024.39(a), and 12 C.F.R. 1024.39(b), described herein.
3. On or about October 7, 2021, DIFS served Respondent with a Notice of Opportunity to Show Compliance (NOSC). The NOSC alleged that Respondent's servicing of several mortgage loan transactions violated Regulation X as follows:
 - a. DIFS identified seven (7) mortgage loan transactions in which Respondent's method of escrow analysis contravened Sections 1024.17(c)(3) and/or 1024.17(c)(7) of Regulation X, 12 C.F.R. 1024.17(c)(3) and 12 C.F.R. 1024.17(c)(7);
 - b. DIFS identified two (2) mortgage loan transactions in which the Respondent allegedly failed to refund escrow account surpluses within thirty (30) days of the escrow analysis in contravention of Section 1024(f)(2)(i) of Regulation X, 12 C.F.R. 1024.17(f)(2)(i);
 - c. DIFS identified three (3) mortgage loan transactions in which Respondent allegedly failed to make a good faith effort to establish live contact with delinquent borrowers in contravention of Section 1024.39(a) of Regulation X, 12 C.F.R. 1024.39(a); and
 - d. DIFS identified two (2) mortgage loan transactions in which Respondent allegedly failed to provide the required written notice required by Section 1024.39(b) of Regulation X, 12 C.F.R. 1024.39(b) to borrowers who were forty-five (45) days delinquent on their loans.

4. By violating Regulation X in the manner described in paragraph 3 above, Respondent violated Section 22(a) of the MBLSLA, MCL 445.1672(a), and is subject to sanction under Sections 29(2) and 29(3) of the MBLSLA, MCL 445.1679(2), and (3).
5. DIFS and Respondent have conferred and have agreed to resolve this matter pursuant to the terms set forth below.
6. Respondent admits the allegations contained in the NOSC, and both Parties desire to avoid the time and expense of formal proceedings and agrees to resolve this matter pursuant to this Stipulation to Entry of Order.
7. Respondent further agrees to the following:
 - a. Respondent will pay the State of Michigan a civil fine of \$15,000.00 by the due date set forth in the DIFS invoice, which will be sent to Respondent along with a copy of the fully executed Order Accepting Stipulation and Requiring Compliance and Payment of Fines entered in accordance with this Stipulation to Entry of Order.
 - b. Within thirty (30) days of the date that the Senior Deputy Director signs the Order Accepting Stipulation and Requiring Compliance and Payment of Fines, Respondent will provide DIFS with the following:
 - i. A cancelled check or other documentation demonstrating that all refunds due to borrower "J.S." resulting from the escrow surplus accumulated for Loan ID # [REDACTED] as of September 3, 2020, has been correctly calculated and paid.
 - ii. Documentation demonstrating that, for each of the following loan transactions, Respondent has either made a good faith effort to establish live contact with the borrower as required by Section 1024.39(a) of Regulation X, 12 C.F.R. 1024.39(a), or determined that the loan is no longer in delinquent status such that live contact is no longer necessary:
 1. Loan ID # [REDACTED] (Borrower: A.C.)
 2. Loan ID # [REDACTED] (Borrower: S.G.)
 3. Loan ID # [REDACTED] (Borrower: J.S.)
 - iii. Documentation demonstrating that, for each of the following loan transactions, Respondent has either provided written notice to the borrower as required by Section 1024.39(b) of Regulation X, 12 C.F.R. 1024.39(b), or has determined that this is no longer necessary because the loan is no longer delinquent:
 1. Loan ID # [REDACTED] (Borrower: L.C.)
 2. Loan ID # [REDACTED] (Borrower: J.S.)
 - c. On or before March 31, 2022, Respondent will ensure compliance with Section 1024.17(c)(3) and 1024.17(c)(7) of Regulation X, 12 C.F.R. 1024.17(c)(3), and 12 C.F.R. 1024.17(c)(7), by creating and implementing all exception reports and/or implementing any business processes or Information Technology ("IT") updates necessary to ensure that the scheduled tax disbursements

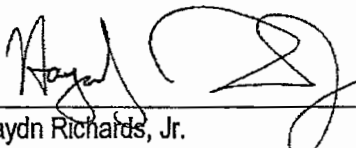
in Respondent's loan servicing system are verified against Respondent's tax service vendor so that escrow amounts are calculated using the most current tax information in Respondent's possession.

- d. On or before February 1, 2022, Respondent will ensure compliance with Section 1024.17(f)(2)(i) of Regulation X, 12 C.F.R. 1024.17(f)(2)(i), by implementing improved business practices and IT updates necessary to ensure that accounts with an escrow surplus greater than or equal to \$50.00 are refunded in accordance with the timeframes required by federal law and regulation.
 - e. On or before March 31, 2022, Respondent will ensure compliance with Section 1024.39(a) of Regulation X, 12 C.F.R. 1024.39(a), through the creation and implementation of improved business practices in its call center to identify loans which are delinquent by more than thirty (30) days and to ensure a call is, at least, attempted to the borrower within this time period.
 - f. On or before March 31, 2022, Respondent will ensure compliance with Section 1024.39(b) of Regulation X, 12 C.F.R. 1024.39(b), through the creation and implementation of improved business practices to identify loans eligible for an early intervention letter to be sent by Respondent's letter vendor and to improve business practices to ensure that such letters are sent on a timely basis.
8. Respondent agrees to cease and desist from operating in any manner that violates the MBLSLA or Regulation X, including the specific violations alleged in the NOSC.
 9. The Parties hereby agree that all procedural requirements of the Michigan Administrative Procedures Act (APA), 1969 PA 306, MCL 24.201 *et seq.*, and the MBLSLA, have either been complied with prior to execution of this Settlement Agreement or are, hereby, waived. This includes, without limitation, an agreement and understanding by Respondent that it hereby waives its right, pursuant to the MBLSLA, the rules promulgated thereto, and the APA, to an administrative hearing before an administrative law judge in the event this Consent Order is signed by the Senior Deputy Director. In making this waiver, Respondent understands that if such administrative hearing were to occur, DIFS would be required to prove the charges set forth by presentation of evidence and legal authority; Respondent would be entitled to appear, cross-examine all witnesses presented by DIFS, and to present such testimony or other evidence or legal authority deemed appropriate as a defense to said charges; and that the administrative law judge would have the right to assign any monetary penalties and disciplinary action against its license as is warranted by law.
 10. In addition to the other penalties stated in this Stipulation to Entry of Order, Respondent agrees that the failure to complete any aspect of this Stipulation to Entry of Order, including failure to complete any aspect within the time period or periods indicated herein, may, in DIFS' sole discretion, result in:
 - a. The doubling of the civil fine to \$30,000.00 payable in full within thirty (30) days of receipt of the notice of default by Respondent triggering DIFS' rights under this paragraph 10;
 - b. Following an opportunity for Respondent to meet and confer within fourteen (14) days after receiving notice that DIFS intends to take action authorized under this subsection 10(b), the automatic suspension of Respondent's mortgage broker, lender, and servicer license;
 - c. The denial of any renewals or future license applications; and

- d. An administrative action for the revocation of Respondent's mortgage broker, lender, and servicer license. .
11. Respondent warrants and agrees that its respective representative or representatives have the right and legal authority to execute this Stipulation to Entry of Order and legally bind Respondent.
12. The Parties agree that this Stipulation to Entry of Order represents their full and complete agreement in this matter and that the whole agreement between them is written in this Stipulation to Entry of Order. There are no terms or conditions, express or implied, other than expressly stated in this Stipulation to Entry of Order. This Stipulation to Entry of Order may be amended or modified only by an instrument in writing, signed by the parties with the same formality as this Stipulation to Entry of Order.
13. Respondent understands and agrees that this Stipulation to Entry of Order will be presented to the Senior Deputy Director for approval.
14. Respondent agrees that the Senior Deputy Director has jurisdiction and authority to approve and adopt this Stipulation to Entry of Order pursuant to the Code.
15. The Senior Deputy Director may, in her sole discretion, decide to accept or reject the Stipulation to Entry of Order. If the Senior Deputy Director accepts the Stipulation to Entry of Order, Respondent waives the right to a hearing in this matter and consents to the entry of the Order Accepting Stipulation and Requiring Compliance and Payment of Fines. Respondent further waives the right to a hearing regarding any and all additional penalties that may be imposed pursuant to paragraph 10 of the Stipulation to Entry of Order. If the Senior Deputy Director does not accept the Stipulation to Entry of Order, Respondent waives any objection to the Director holding a formal administrative hearing and making a decision after such hearing.

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16. Respondent has had an opportunity to review the Stipulation to Entry of Order and the proposed Order Accepting Stipulation and Requiring Compliance and Payment of Fines and have the same reviewed by legal counsel.




Haydn Richards, Jr.
Partner, Bradley Arant Boult Cummings LLP
on behalf of Gregory Funding LLC

FEBRUARY 18, 2022
Date

DIFS Staff approve this Stipulation to Entry of Order and recommend that the Director issue an Order Accepting Stipulation and Requiring Compliance and Payment of Fines.

Department of Insurance and Financial Services



By: Elizabeth R. Husa (P73907)
Staff Attorney

2/18/2022
Date